

CITY OF CHATTANOOGA, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005**

**DEPARTMENT OF FINANCE AND ADMINISTRATION
DAISY W. MADISON, ADMINISTRATOR**

CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter from Mayor Ron Littlefield	one
City Council	three
Finance Administrator's Letter of Transmittal	four
Certificate of Achievement for Excellence in Financial Reporting	twelve
City Officials	thirteen
Organization Chart	fourteen
FINANCIAL SECTION	
Report of Independent Certified Public Accountants	i-ii
Management's Discussion and Analysis	iii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2-3
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	8
Proprietary Fund Financial Statements	
Statement of Net Assets	9-10
Statement of Revenues, Expenses, and Changes in Net Assets	11
Statement of Cash Flows	12-13
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	14
Statement of Changes in Fiduciary Net Assets	15
Component Units Financial Statements	
Statement of Net Assets	16
Statement of Activities	17
Notes to Basic Financial Statements	18-52

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Schedules of Required Supplementary Information:

Public Employee Retirement Systems -	53
Schedule of Funding Progress	53
Schedule of Employer Contributions	54

OTHER SUPPLEMENTARY INFORMATION

Combining Financial Statements

Combining Balance Sheet – Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	56
Combining Statement of Net Assets – Private-Purpose Trust Funds	57
Combining Statement of Changes in Net Assets – Private-Purpose Trust Funds	58
Combining Statement of Revenues, Expenses and Changes in Net Assets – Component Units	59
Combining Statement of Cash Flows – Component Units	60-61

Budgetary Comparison Schedules

General Fund	62-70
---------------------	-------

Special Revenue Funds

Public Library Fund	71
Downtown Development Fund	72
Human Services Program Fund	73-74
Narcotics Program Fund	75
State Street Aid Fund	76
Community Development Fund	77
Hotel/Motel Tax Fund	78

Debt Service Fund	79
--------------------------	----

Financial Schedules

Schedule of Certificates of Deposit by Fund	80
Schedule of Investments by Fund	81
Combined Schedule of Changes in Taxes Receivable	82
Summary Schedule of Debt Service Requirements to Maturity	83-84
Analysis of General Obligation Debt	85-87
Analysis of Revenue Bonds and Other Debt	88
Schedule of Bonds, Notes, and Capital Leases Payable - by Fiscal Year	89-101

STATISTICAL SECTION

Government-Wide Information:

Government-Wide Expenses by Function	102
Government-Wide Revenues	103

Fund Information:

General Governmental Revenues by Source	104
General Governmental Expenditures by Function	105
Property Tax Levies and Collections	106
Assessed and Estimated Actual Value of Taxable Property	107
Property Tax Rates and Levies - Direct and Overlapping Governments	108
Principal Taxpayers	109
Historical Debt Ratios	110
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	111
Computation of Direct and Overlapping Indebtedness	112
Computation of Debt Limit and Legal Debt Margin	113
Property Value and Construction	114
Schedule of Revenue Bond Coverage	115
Salaries and Fidelity Bonds of Principal Officials	116
Insurance Coverage	117
Demographic Statistics	118
Miscellaneous Statistical Data	119-121

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal and State Awards	122-130
Notes to Schedule of Expenditures of Federal and State Awards	131-133
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	134-135
Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	136-137
Schedule of Findings and Questioned Costs	138-142
Schedule of Prior Audit Findings	143

MAYOR'S LETTER

November 21, 2005

To the members of the City Council, and Citizens of Chattanooga, Tennessee:

It is my privilege to present to you the annual report for the City of Chattanooga for the fiscal year ended June 30, 2005. This report affirms the strong fiscal condition of the City. Having served the City over the past 30 years in various capacities ranging from senior planner to city councilmember, I am very excited about the opportunity to move seamlessly into the future as Mayor.

Economic development remains our top priority. With your support, I will continue to focus on the recruitment of new businesses and the expansion of existing businesses. In cooperation with Federal, State and County officials and the Chamber of Commerce, we continue our efforts to recruit businesses to Enterprise South and other areas of the City. Upon the recommendation of a task force of local builders and contractors, the Public Works Department has been restructured to provide a single location (the newly created Land Development Office) where builders and developers can apply for permits, talk to plan reviewers and schedule site inspections. This completes the goal of a one-stop shop for developers.

In addition to our strong focus on economic development, there are three elements that will guide my administration. The first one is positive and progressive change in our City. Chattanooga has shown it can be a master of change. We are known nationally and globally as a city that transformed its downtown. I want us to be known as a city that embraces change and finds new

opportunity to transform the social and economic fabric of our community for the better.

The second element is creativity. Through our "Great Ideas Competition" we will engage our youth to think creatively. The competition is open to any public high school student and targeted at seniors in marketing, economics and entrepreneurial classes. A \$2,500 scholarship will be awarded to the winner who presents the most innovative idea. We will help our youth excel by giving them other avenues to learn by increasing interaction with museums, making our recreation centers a hub of knowledge and giving our central and branch libraries a bigger role in educating our youth. We will show people who want to invest in Chattanooga that we do have young people in this community with great ideas.

The third element is compassion. Shortly after coming to office, we created

Photos Left to Right: Mayor Littlefield meets with Chamber of Commerce; Mayor talks to students about Great Ideas competition; Mayor updates library card.

Photos by (L-R): Med Dement, Michelle Michaud, Med Dement



the Office of Faith-Based and Community Partnerships. This office will work with neighborhoods, agencies and city leaders to build strong partnerships that address community issues such as housing the homeless. Chattanooga has done much for the homeless through Chattanooga Neighborhood Enterprise, Habitat for Humanity, the Food Bank and United Way. The City Council has also approved the creation of the Office of Multicultural Affairs to address not only race, but religion, national origin, sex and other issues impacting our community. Other programs such as Go!Fest, Stop the Madness, and the Council on Disabilities are all in line with my goal of molding Chattanooga into a “city of compassion”.

During my campaign, I visited each of the nine districts to listen to residents and get their ideas about how to make their communities better. As a result of these meetings, I developed a comprehensive blueprint for implementation over the next four years. This blueprint encompasses the following seven step strategy:

- Finish What We’ve Started
- Enhance Links and Gateways
- Nourish the Neighborhoods
- Keep Growing the Green
- Attack Fear with Technology
- Focus on Teaching
- Fill in Economic Gaps

Details concerning each of these strategies can be found on our City’s website at Chattanooga.gov. As Mayor, I plan to take these great ideas and put them to work for all to benefit.

I am excited about the future of Chattanooga. I look forward to working with the members of City Council and the citizens of Chattanooga to continue to move forward as a progressive, creative and compassionate city.

Sincerely,



Ron Littlefield, Mayor

Photos Left to Right: Mayor touts Chattanooga in China; Go!Fest with Siskin Rebounders; Mayor answers questions about Brainerd Mission Cemetery; Mayor with County Mayor Claude Ramsey at Chamber meeting.

Photos by (L-R): Trevor Hamilton, Med Dement, Michelle Michaud, Med Dement



CHATTANOOGA CITY COUNCIL



Photos by Med Dement



DISTRICT 1
Linda G.
Bennett

DISTRICT 2
Sally L.
Robinson,
Chairman

DISTRICT 3
Dan B. Page

DISTRICT 4
W. Jack
Benson, Sr.

DISTRICT 5
John P.
Franklin, Jr.

DISTRICT 6
Marti
Rutherford

DISTRICT 7
Manuel Rico

DISTRICT 8
Leamon Pierce,
Vice Chairman

DISTRICT 9
Yusuf A.
Hakeem



City of Chattanooga

Ron Littlefield
Mayor

DEPARTMENT OF FINANCE AND ADMINISTRATION
CITY HALL ANNEX

Daisy W. Madison, CPA
City Finance Officer

Chattanooga, Tennessee 37402

OFFICE: (423) 757-5230 • FAX: (423) 757-0525

November 14, 2005

To the Honorable Mayor Ron Littlefield, Members of the City Council and
the Citizens of Chattanooga, Tennessee:

In compliance with state and local statutes, I am submitting the Comprehensive Annual Financial Report (CAFR) of the City of Chattanooga for the fiscal year ended June 30, 2005. These ordinances and statutes require that the City of Chattanooga issue annually a report on its financial position and activities, and that an independent firm of certified public accountants audit this report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management of the City of Chattanooga has established a comprehensive internal control

framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information

for the preparation of the City of Chattanooga's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this report is complete and reliable in all material respects.



Daisy W. Madison, Finance Officer

The City of Chattanooga's financial statements have been audited by Hazlett, Lewis & Bieter, PLLC,

a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Chattanooga's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first item in the financial section of this report.

The independent audit of the City's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. Special emphasis is placed on internal controls and legal requirements involving the administration of federal awards. These reports are in a separate Single Audit section.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in

conjunction with it. The City of Chattanooga's MD&A can be found immediately following the financial statement report of the independent auditors.

GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND MAJOR INITIATIVES

PROFILE OF THE GOVERNMENT

Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-Georgia border. It encompasses an area of 144.16 square miles and a population of 154,853. The City is centrally located in relation to other major population centers of the southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama; and Atlanta, Georgia. Over 11 million people live within a 2 to 2-1/2 hour drive of Chattanooga. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also has the power to extend its corporate limits by annexation in accordance with procedures under an "Urban Growth Plan" agreed to between the city and the county.

The City operates under a Mayor/Council form of government. The Mayor is elected at-large and is not a member of the City Council. The Council is composed of nine members, with each member being elected from one of nine districts within the geographic boundaries of the City. The Mayor and Council are elected for four-year terms. The Mayor

is the City's chief executive officer and oversees the operation of all City departments.

The City provides a full range of municipal services including but not limited to fire and police protection; sanitation services; construction and maintenance of highways, streets and infrastructure; recreation; cultural activities; public library; community development; planning and zoning; neighborhood services; social services; and general administrative services. It also operates a storm water maintenance program and a sewer and sewage facility system for its residents and for other communities in southeast Tennessee and northwest Georgia.

The annual budget serves as the foundation for the City's financial planning and control. The City Finance Officer obtains information from all City departments and agencies for which appropriations are made and/or revenues are collected and compiles the operating budget for submission to the Mayor. During the months of May and June, the City Council hears budget requests from the departments and agencies at its regularly scheduled meetings. In addition, advertised public hearings are held to allow taxpayers' comments prior to final passage. The budget is legally enacted through passage of an ordinance with an operative date of July 1. The appropriated budget is adopted on a departmental basis; the legal level of budgetary control is the fund level. Transfers of appropriations between funds require the approval of the City Council. The City Finance Officer may make interdepartmental transfers within the General Fund. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is

presented as part of the basic financial statements for the governmental funds. The budget-to-actual comparisons for the remaining governmental funds with appropriated annual budgets are presented in the other supplementary information section of this report.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements may be best understood when it is considered from the broader perspective of the specific economic environment within which the City of Chattanooga operates.

THE CITY'S ECONOMIC FUTURE

Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (23.9%), government (14.8%), manufacturing (14.2%), professional and business services (10.7%), education and health (9.7%), and leisure and hospitality (8.3%) comprise 81.6% of the workforce. Employment in the retail service sector is driven, in part, by the presence of Hamilton Place Mall, Tennessee's largest. The 1.4 million-square-foot mall has brought in many tourists and locals with a mix of new and familiar stores, theme restaurants and movie theaters. Thanks to the mall, the area has become a retail hotbed with more than 15 million visitors a year.

Chattanooga is particularly well positioned to take advantage of future improvements in the national economy. Chattanooga enjoys strategic advantages related to its location,

strong transportation system, natural resources and competitive cost of doing business. The local unemployment rate of 4.4% remains significantly below the state average of 5.1% and the national average of 5.1% as of September, 2005.

A solid foundation has been laid for Chattanooga's future. The opening of the 21st Century Waterfront in April 2005, marks the culmination of a vision first conceived by Chattanooga's in the early 1980's. Through the work of the publicly commissioned Moccasin Bend Task Force, Chattanooga's created a shared dream for riverfront redevelopment over twenty years and across 22 miles. With the opening of the waterfront, the connection is completed twenty years to the month from the publication of the Tennessee Riverpark Master Plan. Construction is nearly complete on all components of the 21st Century Waterfront Plan. Thirty-five months in the works, the \$120 million waterfront initiative includes major expansions to the Tennessee Aquarium, the Creative Discovery Museum and the Hunter Museum featuring new attractions ranging from a glass-floored walking bridge to a 160-foot pier illuminated by towering light columns. It also includes public green spaces, an urban wetland, boat docks and a downtown-to river-side pedestrian link with dazzling artwork that evokes American Indian history.

Photos by (top to bottom): David Humber, Jim Myers, Med Dement



ABOVE: Completed 21st Century Waterfront development.

RIGHT: 160-foot public pier with lighted columns.

BELOW: New glass-floored walking bridge connecting waterfront development with Hunter Museum.



FOCUS DEPARTMENT

Each year the City focuses on a department of City government describing in detail services provided. This year's focus is the Parks and Recreation Department.

PARKS AND RECREATION DEPARTMENT

Mission Statement – to efficiently manage programs, parks and facilities that are offered equitably to maximize use by the broadest spectrum of Chattanooga residents and visitors, which will, in turn, help develop and educate our community physically, socially and morally.

OUTDOOR CHATTANOOGA

Launched in fiscal year 2005, THE OUTDOOR INITIATIVE is embraced by Mayor Ron Littlefield and is touching many areas of our region. It will continue to be the forefront of our department to deliver its mission of promoting a healthy active lifestyle. This initiative is focused on four major areas: Health and Wellness, Education and Environmental Stewardship, Tourism and Conventions, and Economic Development.

PARKS

Chattanooga's new waterfront is certainly a huge resource for our community. One primary focus will be to program the area while maintaining its beauty. Keeping these areas well maintained will help promote the use of our parks by the community. Outside of physical parks, Chattanooga has a large variety of wonderful outdoor spaces where we will continue to develop programs to increase the level of activity and awareness.

RECREATION CENTERS

The City of Chattanooga operates 15 recreation centers. Each recreation center offers a variety of

Photo by Med Dement



Rob Healy (above left), Director of Parks and Recreation Department, visits OUTVENTURE KAYAKING class, a program of Outdoor Initiative, at UT Chattanooga pool.

programs that are offered to citizens of all ages. The recreation centers are each unique in programming due to the different needs of each neighborhood. Extending their hours of operation and expanding their programs is a goal in the coming years. We will try and make a difference in people's lives in our community – not only offering traditional sports activities but focusing on using activities to enhance the lives of citizens of all ages. We want to make a difference in the development of youth educationally, emotionally, and spiritually.

FITNESS CENTER

Therapeutic recreation, aquatics and fitness programming will continue to develop through this department. We will look at new outlets to encourage people to be more active and introduce citizens of all physical abilities to activities they enjoy. We will continue to offer diverse programs at the Warner Park Fitness Center. With our Parks and Recreation Centers in combination with the fitness

center we will be reaching out to our neighborhoods to deliver new and exciting programs.

GOLF

Brainerd and Brown Acres are two great facilities that offer quality affordable golf to citizens in our community. We will continue to look at ways to get youth involved in golf in our community as well as ways to enhance the golf experience that our people have at these golf courses.

TENNIS

The Champions Club is one of the finest tennis facilities in the Southeast. We will showcase this facility to bring people into our community that will organize quality tennis tournaments, as well as balancing these events with the needs of our local community. The primary focus for the Champions Club is league play and to ensure that our citizens have the opportunity to play tennis. In addition to the Champions Club we have tennis courts throughout our community. We would like to expand the use of those additional facilities by building youth programming components.

ZOO

The partnership with the Friends of the Zoo will enable the zoo to continue to offer new and exciting programs and exhibits. An important factor to the zoo will be to increase the visibility in our region which we hope will, in turn, increase memberships

and attendance. We are also looking at ways to embrace the growing tourist population in our city.

PARTNERSHIPS

Chattanooga Parks and Recreation will begin to look at ways to establish partnerships with organizations that can work with us to deliver quality programs in our community. The partnerships range from youth and senior programming, foundations, corporate partnerships, faith and family based initiative, health and wellness partners as well as facility and land partnerships. We will be working to improve better use of our resources to deliver more to our community in a more efficient and cost effective manner.

CIVIC FACILITIES

Under Mayor Littlefield's reorganization in fiscal year 2006 a new Department of Arts, Education and Culture was created. This department will assume the responsibility of the Civic Facilities which includes the Memorial Auditorium, the Tivoli Theatre and the North River Civic Center.

Below L-R: Children at Zoo's Cougar Express grand opening; Native American dance exhibition and children experiencing Weeping Wall at Passage grand opening.

Photos by (L-R): Judy Ridge, Judy Ridge, David Humber, David Humber



Now we can focus on how to build a more progressive and compassionate city based on all that has gone before. Chattanooga's focus on the recruitment of new businesses and the expansion of existing business is only the beginning. Continuing efforts are underway by City and County Mayors, the Chamber of Commerce and the State to recruit businesses to Enterprise South and other areas of the City. Over the past 3 years more than \$491 million have been invested in the Chattanooga area including 47 business expansions and 30 new businesses. The Chamber is well on its way to achieving it's goal of 20,000 new jobs with the addition of 7,496 since July 2002.

For years, builders and developers in Chattanooga have requested a "One Stop Shop": where they could apply for permits, talk to plan reviewers and schedule site inspections all in one place. While the City moved toward this with the consolidation of offices and agencies that deal with construction in the Development Resource Center, the goal was truly achieved with the restructuring of the Public Works Department by Mayor Littlefield. Developers and contractors can now go to one office, the Land Development Office, for approval, review and inspection of projects.

While Chattanooga can be proud of the continuing renaissance taking place in many areas, much remains to be done. The Enterprise Center is ramping up efforts to bring life back to acres of unused industrial land in Hamilton County. It is a non-profit organization created by the City and County and Congressman Wamp as an umbrella organization for oversight and accountability to 12 innovative, federally funded initiatives to ensure enhancement of Chattanooga's place in the

technology corridor. A panel made up of public officials and private business will craft a Brownfields management program aimed at tapping state, federal and other resources to help rehabilitate Brownfields which are old industrial or commercial property that may hold contaminants.

As part of a \$10 million initiative called Housing for People Who are Homeless and Addicted to Alcohol, the U.S. Department of Housing and Urban Development awarded the Southeast Tennessee Human Resource Agency \$1 million to house 100 chronically homeless people who also suffer from alcoholism. Unlike some homeless programs, this program strives not to provide emergency shelter but permanent housing for the homeless. The City has also had it first annual "Go!Fest", to celebrate those who place their abilities above their disabilities. These along with Mayor Littlefield's establishment of an Office of Faith-Based and Community Partnerships are major initiatives in making Chattanooga a "city of compassion".

BUDGET HIGHLIGHTS

The City's undesignated General Fund budget has grown by roughly one percent over the past four years and there are 250 fewer positions in City government. For the fourth consecutive year tax increases and layoffs have been avoided by a combination of more effective management and economic growth. This budget provides the resources for continued investment in the long term fiscal health of this community.

The City's chattanoogaRESULTS initiative and hiring and vacancy control program that has been in effect since February 2002 greatly increases

accountability by allowing the Mayor, the City Finance Officer and other senior City officials to regularly monitor both spending and departmental performance. The result has been a budget review process that is no longer episodic, but instead defines the way that all of City government does business throughout the fiscal year. The City published its first annual performance report to the citizens of Chattanooga. The report not only gives residents an update on how city services are responding to their needs, it also provides department heads and managers with quantifiable performance measures.

CASH MANAGEMENT POLICIES AND PRACTICES

Cash temporarily idle during the year is invested in commercial banks and savings and loan certificates of deposit as well as various instruments guaranteed by the United States Government. These instruments have terms ranging from one week to one year. Cash idle for a longer period of time is invested in longer-term government securities. Due to statutes of the State of Tennessee, the City is limited in the investment methods it may utilize. Changes in the fair value of investments are reported as investment income or loss.

RISK MANAGEMENT

The City manages exposure to risk of loss through several methods including contracts with commercial carriers for property insurance, surety bond coverage of officials and employees, and commercial liability coverage. The City assumes the risk of loss for general liability not

covered by commercial carriers. To minimize its losses, the City has implemented various risk control techniques such as safety inspections and safety training classes. As part of the City's risk management program, resources are being accumulated in an Internal Service Fund to meet potential losses relating to general liabilities and tort claims. Reserves are accumulated in the General Fund to meet potential losses for all other exposures. Additional information on the City's risk management activity can be found in the notes to the financial statements.

PENSION AND OTHER POSTEMPLOYMENT BENEFITS

The City provides retirement benefits through three single-employer defined benefit pension plans that cover all employees. One plan covers general City employees; a second plan covers employees of the Electric Power Board; and the third covers firefighters and police officers. Each of these plans is maintained separately and engages an independent actuary to calculate the amount of annual contribution that must be made to each plan to ensure the plans will be able to fully meet their obligations to retired employees on a timely basis. As a result of the City's conservative funding policy, all plans are fully funded.

The City also provides postemployment health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 834 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Additional information on the City's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chattanooga, Tennessee for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the thirteenth consecutive year that the City has received this award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget for each of the nine fiscal years for which it applied. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

The preparation of this report could not have been accomplished without the professional and dedicated services of the entire staff of the Finance Department and the City's independent

public accountants, Hazlett, Lewis & Bieter, PLLC. We would like to express our appreciation to members of various City departments who assisted and contributed to the preparation of this report. Further appreciation is extended to the Mayor and the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,


Daisy W. Madison
City Finance Officer

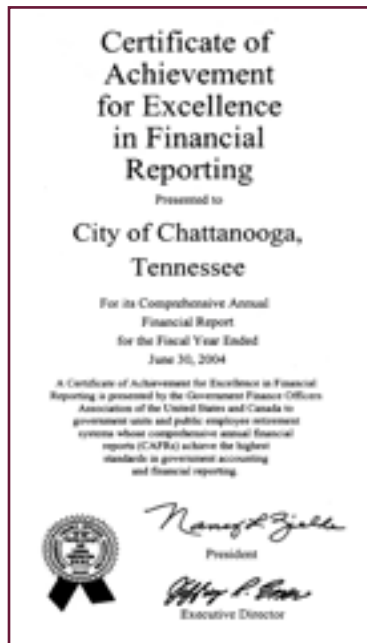


Photo by Med Dement



Finance Department staff prepares data for annual financial report

CITY OFFICIALS AS OF JUNE 30, 2005

RON LITTLEFIELD, MAYOR

L. Dan Johnson, Chief of Staff

CITY COUNCIL:

Sally L. Robinson, Chairperson	District 2
Leamon Pierce, Vice Chairman.....	District 8
Linda G. Bennett.....	District 1
Dan B. Page.....	District 3
W. Jack Benson, Sr.	District 4
John P. Franklin, Jr.	District 5
Marti P. Rutherford.....	District 6
Manuel Rico.....	District 7
Yusuf A. Hakeem	District 9



COURTS:

Sherry B. Paty	City Court Judge
Russell J. Bean.....	City Court Judge
Edward C. Hammonds.....	City Court Clerk

DEPARTMENT ADMINISTRATORS AND DIRECTORS:

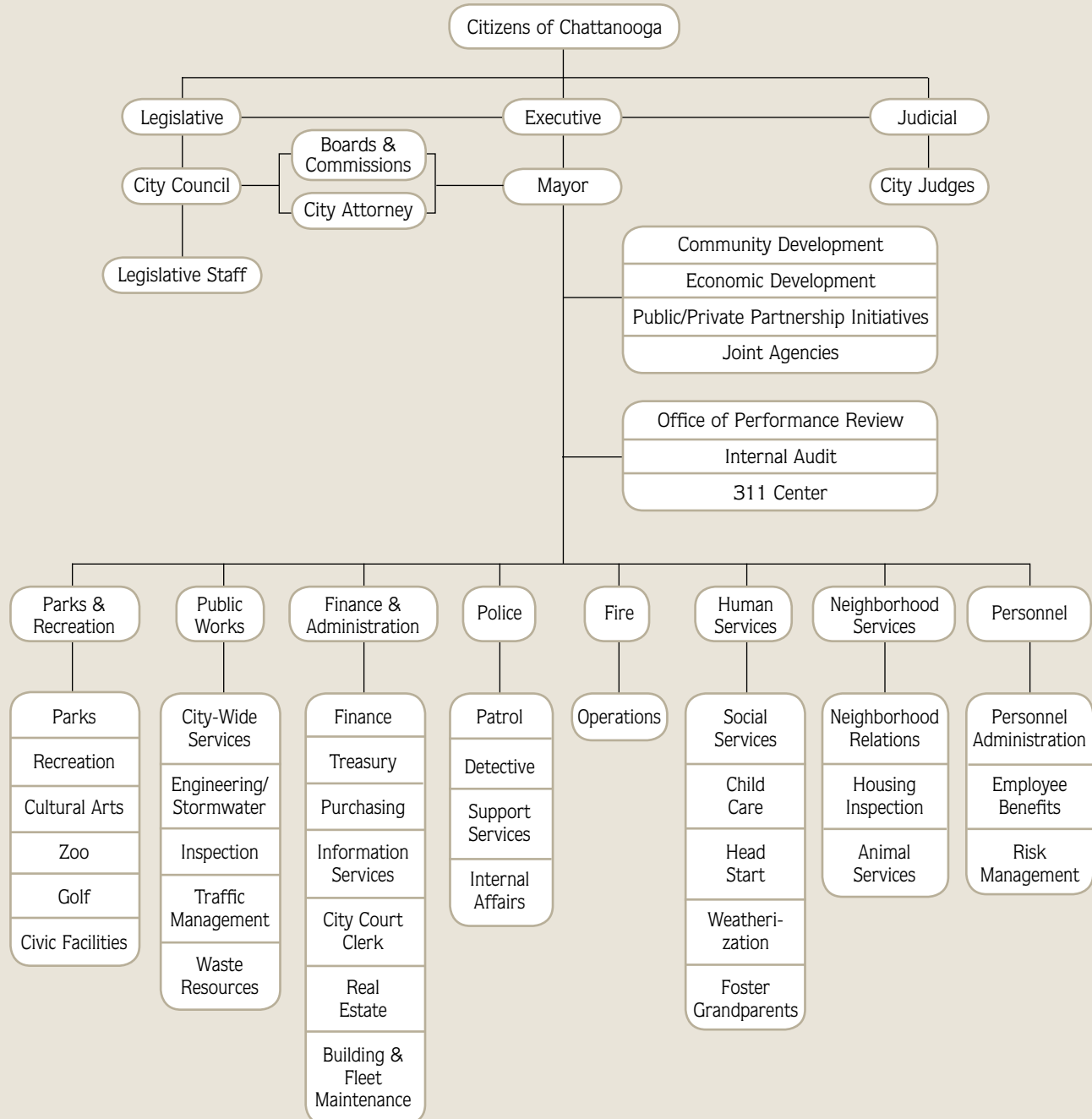
Legal	Randall Nelson.....	City Attorney
Legislative.....	Carol O'Neal	Clerk of the Council
Finance & Administration.....	Daisy W. Madison.....	Administrator
Fire.....	Chief Jim M. Coppinger.....	Administrator
Human Services	Bernadine Turner	Administrator
	Tommie Pruitt.....	Deputy Administrator
Neighborhood Services	Beverly P. Johnson.....	Administrator
Parks & Recreation	Robert L. Healy	Administrator
Personnel	Donna Kelley	Administrator
Police	Chief Steven M. Parks.....	Administrator
Public Works	Steven C. Leach	Administrator
	D. Lee Norris.....	Duputy Administrator

Brian Smart	Manager, Financial Operations
Fredia F. Kitchen.....	Budget Officer
Daisy W. Madison	Treasurer
Mark J. Keil.....	Director, Information Services
Gene D. Settles.....	Purchasing Agent
Paul R. Page	Director of Asset Management
Stanley L. Sewell	Director of Internal Audit
Jeffrey E. Claxton.....	Risk Manager
Henry W. Yankowski.....	Director, Codes and Inspection
(Vacant).....	Director, City Wide Services
Jerry W. Stewart.....	Director, Waste Resources
Naveed A. Minhas	City Engineer
John Van Winkle	City Traffic Engineer
Harold E. DePriest.....	President and CEO, Electric Power Board
David F. Clapp	Director, Chattanooga - Hamilton County Bicentennial Library
Michael J. Landguth.....	President and CEO, Metropolitan Airport Authority
Barry M. Bennett.....	Director, Regional Planning Agency
Robert H. Colby	Director, Air Pollution Control
(Vacant).....	Director, Scenic Cities Beautiful Commission

ORGANIZATIONAL CHART



CITY OF CHATTANOOGA



The above organizational structure does not reflect revisions made by the newly elected Mayor on June 14, 2005.